

VIA Air
(Specify Air or Sea Pouch)

DISPATCH NO. EGBA-42138

SECRET
CLASSIFICATION

TO Chief, EE

DATE 6 June 1957

FROM Chief of Base, Berlin

INFO: COS

SUBJECT { GENERAL Operational/CART
SPECIFIC [] -- Progress Report

References: A. EGBA-40540
B. BRLN 1639

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CENTRAL INTELLIGENCE AGENCY
SOURCES METHODS EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2001 2008

Synopsis

This pouch relates the operational developments in the [] case to date. As reported in BRLN 1639 this developmental operation has reached a critical point which forces us to make basic decisions on the amount and type of build-up information which we can allow [] to pass to the EGIS. Comments and guidance are requested.

1. 8 April 1957 Meeting with []

On 8 April [] called his BOB agent number announcing his arrival in West Berlin late the previous night. He had intended to call immediately upon his arrival but couldn't conveniently find a private phone booth and therefore went to his East German girlfriend's (Inge) apartment to spend the night. Inasmuch as we had expected [] to arrive circa 12 April 1957, he was asked why he had arrived sooner than expected and he explained that the EGIS contact had made a mistake when setting the date and he actually meant the week beginning 8 April 1957. [] was introduced to [] as [] and []. This meeting constituted the turn-over of [] to these officers by [] who had handled the case to date. [] was informed that he should make his headquarters in West Berlin on each of his trips to meet with the EGIS, not only because it makes for better commo with us, but that it will look better to one and all and have a genuine ring if he insists to the EGIS that he have his hotel in West Berlin. We asked [] if he told PETER about his

Approved DMP
DMP

Distribution:

- 2 - EE w/atts A,B,D,C u.s.c.
- 2 - CCS w/atts A,B,C,D u.s.c.

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FORM NO. 51-28
JUN 1949

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MIS:rhb

Attachments:

- A - German report
- B - Firms & individuals in East-West trade
- C - Pamphlets; handbooks
- D - Identifications

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German girlfriend, Inge, and when he had replied in the negative, we suggested that it would be a good idea not to attempt to conceal this relationship should PETER ever ask about it. This particular trip of [] to meet with the EGIS was for the purpose of his receiving training in micro-photography and for further detailed discussions on his exploratory trip to Spain on behalf of the EGIS. In addition, [] had some normal business to attend to to cover his Berlin trip in that he was seeking all available information on spinning machine automation. Also, through a lead given to him by DIEBENKORN in Brussels, [] planned to investigate a transaction in industrial diamonds with an individual in Diaoptik.

2. Subject was shown two rather poor photographs of General LINKE by [] but he gave no sign of recognition when he looked at them the first time. He was then asked if the pictures showed any resemblance to any of the individuals whom he had met from the EGIS, and [] observed that when covering the top of the photo down to the eyebrows, the bottom part of the face could slightly resemble "The General" but that it was not identical.

3. Inasmuch as there was very little substantive information to discuss prior to his meeting with the EGIS, the length of this instant meeting with [] was kept to a minimum and arrangements were made for [] to call his BOB agent number when he was sure what the EGIS had in mind for him. Arrangements were also made for a future meeting with [] and/or [] in Duesseldorf, 1200 hours in front of the Hotel Germania with appropriate alternate meetings on any day which would be arranged telephonically prior to his departure from Berlin to Brussels. (Comment: It is felt that BOB case officer meetings with [] in Berlin are too risky and it is relatively easy for [] to come to Duesseldorf or any other West German city for planned meetings with the case officers. An agreement was made with [] to reimburse him his travel and living expenses within reason on those trips which he makes at our direction which are not incidental to his trips to Berlin on behalf of the EGIS.)

4. 19 April 1957 Meeting with []

a. As scheduled, [] was met in Duesseldorf and debriefed in detail on his 9, 10, 11 April 1957 meetings with the EGIS in East Berlin.

b. Following our meeting with him on 8 April 1957 in West Berlin, he went to East Berlin where he spent the night once again with his girlfriend. On the night of 9 April, [] used his EGIS agent phone number to contact PETER who arranged to meet him at 1100 hours in the safe-apartment located at Berlin O 55, Chodowieckistr. 12. At this meeting [] was informed by PETER that his micro-dot

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training was to be postponed. PETER mentioned that they were in the process of arranging a communications system for [] wherein he could make contact with either a Russian or Czechoslovakian military attaché in Brussels. Any material which [] had to transmit to East Berlin could then be carried by diplomatic pouch and the micro-dot system, as previously proposed, was not necessary at this time. In addition, PETER stated that the EGIS was not willing to advance [] the large sum of money which would be needed for his trip to Spain and for financing the organization of an espionage network in that country as previously discussed. PETER explained that the EGIS had been cheated by other persons in [] situation who had been given large sums of money and then disappeared. However, the EGIS was still interested in this network in Spain with [] as organizer and "The General" would later have a definite proposal to make through PETER as to how this could best be effected. [] then showed PETER an advertising brochure on a new flame thrower being produced by a Swiss firm. PETER showed a definite interest and asked if he could keep it for the time being. [] then asked PETER if it would be permissible for him to reside in a West Berlin hotel on his trips to Berlin, giving as his reason for this request his personal security, and PETER stated that he had no objection to this. However, [] agreed to spend the night of 9 April at the safe-apartment and met with PETER again there at 1500 hours on 10 April. (Comment: The advertising brochure on the Swiss flame thrower was obtained by [] from Walter HECK, residing at Karlsruhe, Bachstr. 7, a 48-year old German engineer specializing in the construction of rockets. HECK is an employee of Dimex, a weapons firm which plans to obtain a license for the production of this flame thrower for sale to the Bundeswehr. [] had failed to mention that this brochure was in his possession during the 8 April meeting with the BOB case officers, but inasmuch as it is overt information to the West, he probably did not consider it important at the time.)

c. PETER arrived at the safe-apartment at 1500 hours on 10 April and spelled out to [] the "General's" proposition in regard to the method by which [] could obtain the necessary capital to finance his future espionage activity on behalf of the EGIS. Simply stated, the "General" proposed that the EGIS was willing to purchase certain types of overt information from Subject which he could get at no great expense to himself. For example, PETER stated that the flame thrower brochure was extremely interesting to them and that they were willing to pay 500 DMW for it. This payment was, of course, in addition to the 350 DMW that PETER normally paid [] to cover his expenses for his trips to Berlin. PETER then proceeded to outline the following missions, the fulfillment of which would allow [] to build up a substantial amount of capital.

- 1) Advertising brochures, plans, spare part manuals, etc., of all light weapons produced in the West;

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- 2) Army handbooks and manuals on the improvement of light, middle and heavy weapons;
- 3) List of regiments, divisions, wings, fleets, etc., of every NATO country;
- 4) Plans, photographs, performance, technical failures of Western aircraft, tanks, artillery, ships, submarines, etc.;
- 5) Movements of military units in the West, for instance, movements of the French units from Germany to North Africa;
- 6) Attitude of the French Army toward SPEIDEL;
- 7) Antagonisms existing between the French, the British on one hand, and the US Army on the other;
- 8) Information on male and female office workers with access to military secrets in every NATO Ministry of Defense (Subject should make an attempt to contact such people);
- 9) Weaknesses of character of high ranking functionaries or officers in NATO countries (gambling, indebtedness, women, homosexuals);
- 10) Left-wingers in these organizations;
- 11) Transport from the US to Europe of troops and equipment;
- 12) The supply of atomic weapons from the US to NATO;
- 13) Location of armed forces, rocket units, atomic artillery, etc. in Europe;
- 14) Geographical staff maps of the NATO countries;
- 15) Handbooks outlining the offensive and defensive tactics of military unit leaders of the NATO forces;
- 16) Security measures for civil populations in war time;
- 17) Food reserves in NATO countries;
- 18) Civil and army gas reserves in NATO countries;
- 19) Public opinion in the NATO countries regarding German rearmament, US Army, approach of war (weakness that could be exploited);

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- 20) Signs of offensive plans of the US against Russia;
- 21) Information received by NATO concerning the followings:
 - a) Political situation behind the Iron Curtain;
 - b) Military situation of same;
 - c) Weapons production of same;
 - d) Economic situation of same;
 - e) Chances of civilian uprisings;
 - f) Public opinion behind the Iron Curtain;
 - g) Status on armament of the People's Republics;
 - h) Signs of numerical superiority in the Armed Forces of the Communist countries;
- 22) Reorganization of the forces within NATO;
- 23) Changes in the NATO headquarters structure;
- 24) Plans or sketches of all NATO installations;
- 25) Security measures at NATO installations which can be observed.

(Comment: The above listed EEI's were taken from [] report on his last three meetings with PETER and he admits that he made this list up himself out of general conversations with PETER. In other words, PETER did not give [] as detailed a briefing as might appear from the above list and there is of course the possibility that [] has embroidered his report somewhat.)

There are some EEI's however!

d. In general conversation, [] claims that PETER commented that an Egyptian military commission toured the DDR at the end of March. This commission was headed by a certain Dr. MAHMOUD. ([] points out that this is probably a first name. However, PETER did not give him any further identifying data.) This commission allegedly inspected DDR air and naval and aviation bases, was received by STOPH and MARON and was guided on the tour by Arthur PIECK. According to PETER, the Egyptians requested submarine specialists and were especially interested in captains for "U" boats. However, the DDR did not agree to supply these specialists. (Comment: It was pointed out to [] that in this particular instance PETER was providing [] with information without any apparent reason. Subject was unable to give any concise explanation for why PETER wanted to tell him about this Egyptian commission but [] said it was possibly due to the fact that [] was in contact with Colonel WAGGER, the Egyptian military attache at Madrid. PETER

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had discussed this contact with [] in relationship to [] contact with SKORZENI, who was the person responsible for [] meeting Colonel NAGGER. In addition, [] claims that PETER is aware that he is in touch with General CHAFFAR, First Egyptian Military Attache in Brussels. [] claims that it is possible PETER thought [] would be able to influence General CHAFFAR and to bring about a more complete recognition of the DDR by Egypt. (The foregoing information on MAHMOUD was reported by cable in BRLN 1127.)

e. [] claims he told PETER he would think over the "General's" proposals and they arranged to meet again at 1600 hours, 11 April at the S-Bahnhof Friedrichstrasse.

f. At the meeting 11 April [] told PETER he agreed with the "General's" proposals and that he would do all he could to get the information PETER requested. PETER instructed [] to begin the collection of the requested information and when [] had enough to justify a trip to Berlin, he should write to his East Berlin cover address and sign the letter "JOHANN". In the text of this letter if [] mentions that he has purchased books, it will mean to PETER that [] has a large quantity of weapons brochures, etc., or more or less overt information. However, if in the text of the letter [] mentions that he has purchased some "stamps", this will indicate to PETER that [] has managed to obtain rather sensitive information which he wants to transmit to Berlin. If PETER writes a return letter, it will indicate that [] should come to a meeting in Berlin. [] was paid the 500 DM for the brochure and 350 DM to cover his travel expenses by PETER.

g. [] spent the night of 11 April in East Berlin with his girlfriend and returned to his home on 12 April.

h. [] pointed out to us that he had little chance of collecting a large number of weapon brochures or handbooks on the employment of these weapons. He stated it would be possible for him to pick up three or four such brochures on various specific pretenses; however, this would not get him very far in raising the amount of capital required to finance his EGIS activities. Without coming directly to the point [] presented his case in such a way as to try to place us in the position of providing him with build-up material for the EGIS. [] was instructed to go ahead and try to collect as much of the more overt type of information requested by PETER as possible. [] said he believed he would have done all he could within three weeks. [] was cautioned that he must place himself in the position of really being an EGIS agent while collecting these brochures and information in order to keep from being detected and arrested.

i. [] arranged to meet with [] again at approximately 1030 on 13 May 1957 in Duesseldorf for the purpose of

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debriefing [] on all information he would be able to collect working under the foregoing EBI's and to review whatever handbooks and brochures [] would collect so that this material could be studied prior to []'s next meeting with the EGIS. (Comment: The case officers were of the opinion at that time that [] would not be able to get enough information to enable him to finance a large scale espionage network. However, [] was instructed by the BOB case officers to do the best possible job under the circumstances and attempt to convince PETER at his next meeting with him that he needs financial support from the EGIS to carry out any large scale activity.)

j. At this 19 April meeting with [] he submitted to the BOB case officers reports written by him on his three meetings with PETER. These reports were inadequate and are not forwarded with this pouch inasmuch as all information contained in them is included above. [] also was instructed not to write any further reports prior to our meetings with him unless specifically told to do so.

5. 13 May 1957 Meeting Between [] and BOB Case Officer

a. On 13 May 1957 at approximately 1100 hours [] met with [] by pre-arrangement to report his progress as an EGIS espionage agent.

b. Following [] last meeting with BOB case officers on 19 April, [] departed Duesseldorf via Sabena Airlines at 1900 hours, 20 April and returned to Brussels. We had instructed [] to attempt to gather cautiously any information pertaining to the previously reported missions which the EGIS had assigned to him. Therefore, upon [] return to Brussels he wrote to two German weapon plants requesting that they send him advertising pamphlets and handbooks. [] covered these requests by stating that he is attempting to work up a deal involving the sale of heavy and light weapons to the Indonesian Government. [] requests were sent to the following firms:

Exportfirma Gerhardt* Feuerstein
Karlsruhe
Mannheimerstr. 30
Telephone: 21381

* DILEX A.G. J. von W. GERM
Karlsruhe
Bachstr. 7
Director: Walter HECK
Telephone: 51269

According to [] both of the above firms are currently producing flame throwers, automatic weapons, etc., for the Bundeswehr. Until about four weeks ago DILEX was doing research and a certain amount of production in Spain and Switzerland. These operations were carried on in foreign countries because it was illegal in Germany. [] claims that DILEX and HECK received money and moral support from a Colonel in the Swiss intelligence service. CAGAM believes that this Colonel's

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name is SCHAUFFENBERG and has been told by RECK that SCHAUFFENBERG owns a share of the firm. Neither of the above firms had answered [] request as of the day he left Brussels but he believes they will send a few brochures to him which will partially satisfy his ECIS assignment.

c. At this meeting with Sipperly, [] reported his cultivation of Identity 1. The basic information on [] contact with Identity 1 is contained in the [] report forwarded as Attachment A-1 under separate cover. We will include here only those items concerning this relationship which were either left out of the [] report or which showed discrepancies in what [] reported to Sipperly on 13 May 1957 and what he wrote in his report delivered to BOB case officers on 28 May 1957 as follows:

1) [] first met Identity 1 approximately five months ago when he went to Verdun to make arrangements to sell fresh Belgian vegetables to the US Army there. Because he had no contact to the US Army in Verdun, [] asked the owner of a small hotel where he stayed advice on how to make contact with the appropriate American supply officer at Verdun headquarters. The hotel owner informed [] that he was personally acquainted with Identity 1 and advised [] to contact Identity 1, who could introduce him to the appropriate officers. [] went to Identity 1's office where he was first received by Identity 1's deputy, Identity 2. (It is noted that [] reported Identity 2's last name to []. However, [] did not include this name in his written report and when asked about this point by BOB case officers on 26 May, he stated that he could not remember Identity 2's name.) Identity 1 was unable to do much for [] regarding the fresh vegetables, but showed a great interest in [] claim that his Belgian firm could supply 6000 house trailers to the US Army within six months. Identity 1 complained about the poor housing situation in Verdun and stated that many a career officer was thinking about resigning because of this situation. Identity 1 and [] became quite friendly during this original meeting and CAGAN confided in Identity 1 the background of his collaboration with the Germans during the war and the subsequent difficulties which he suffered in Belgium. As a result of this meeting Identity 1 and family visited [] in Brussels on 22 through 24 April 1957 and [] did what he could to show them a good time. As a result of Identity 1's visit to Brussels, [] and wife accepted an invitation to pay a return visit in Verdun.

2) [] reported to [] that he had been a guest observer of an emergency drill at Verdun headquarters on 4 May 1957. However, during our 28 May 1957 meeting with [] he stated that he had not actively observed this drill which took place very early in the morning, but that Identity 1 had told him about it later in the morning at breakfast.

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d. Once again [] brought up the question of our providing him with covert weapon brochures for passing to his EGIS case officer. Sipperly pointed out that we would not supply these items, explaining that we would be placing him at a disadvantage vis-a-vis the EGIS by forcing him to lie constantly about where he had obtained them. In this connection [] asked [] if he had ever lied to the EGIS on any points which they could possibly check out. [] stated that he had told the EGIS that he knew General ROACGES, retired Spanish army officer who had been on the Spanish General Staff. [] had given this name to the EGIS with the implication that General ROACGES might be of use to them. As a matter of fact [] had met ROACGES through SKORZENI but that ROACGES was out of the question as far as the EGIS is concerned. [] had also told the EGIS that his good Spanish friend, Craziano CARTELLI, had excellent contacts at American airfields in Spain and could be had for a price. Actually per [] CARTELLI is a small-time crook with no connection to anyone except the Spanish police for whom he works as an informant. [] informed [] that these lies didn't appear to be critical but that he should avoid all lies and exaggerations with the EGIS in the future.

e. [] then showed [] two other pictures of General LINKS which [] had supplied. [] first commented that there was a resemblance between the person in the pictures and the person who was introduced to him as a general in the EGIS. However, after studying the pictures for a few minutes, [] stated that he was positive the two were not identical.

f. In order to obtain a better picture of [] circle of business acquaintances, [] asked [] to give him a list of all firms and individuals known by [] to be involved in East-West trade, particularly those which may have intelligence connections. Attachment B is a list of these firms and individuals provided by [] after many references to his pocket notebook. The BCB case officers plan to debrief [] in detail on this information at later meetings with [] when time permits.

g. While looking through his looseleaf-type notebook for the information given in Attachment B, [] commented that a page was missing, indicated that it was the page upon which he had written the address of his EGIS letter drop. [] stated that he had first noticed this page was missing during his visit to Identity 1 for he had decided that he would send the EGIS a postcard from Verdun in order to let them know that he was working in that area. When he looked in his notebook to make sure of the address he determined that the page was missing. [] pointed out that he had not looked for this address since his last visit to Berlin 9, 10, 11 April 1957. During that visit he had once left his notebook in the EGIS safe-apartment and believes that the possibility exists that PETER went through the book and removed this page without telling him. [] also reported that he left his

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notebook in his hotel room in Duesseldorf when he came to meet the BOB case officers on 19 April. He also stated that his wife, thinking that the address was that of a girlfriend, may have removed it. [] confronted his wife with this accusation and although she admitted having gone through his notebook looking for addresses of his girlfriends, she categorically denied having removed a page. [] pointed out to [] that there could be no reason for PETER to have removed the page inasmuch as PETER had no objections to [] writing the address in the notebook in the first place. [] asked [] if the EGIS had answered his postcard and [] stated they had written a letter to his home address stating that they were interested in "stamps and books" and were looking forward to his next visit to Berlin. [] stated he had destroyed this letter immediately for security reasons.

h. [] informed [] that because of his progress in fulfilling his EGIS mission he should plan to arrange to meet with the EGIS fairly soon in East Berlin. Inasmuch as [] opined that he was to bring written reports prepared in advance to his EGIS meetings (and apparently this had not been made absolutely clear to [] by the EGIS) [] instructed [] to prepare a detailed report of his contact and development of Identity 1 and bring it to his next meeting with the BOB case officers which was set for 28 May in Hamburg.

i. [] reimbursed [] for this instant trip from Brussels to Duesseldorf and return and [] brought up the matter of a holding account for him which had been previously discussed with him by []. Discussion of this holding account question was held over for the 28 May meeting with [].

j. [] and [] finished their discussions at 1100 hours on 14 May 1957. At 1600 hours that same day [] went to the hotel where [] had told him he was staying because he wanted to make clear to him the alternate meeting arrangements for the next meeting in Hamburg. The hotel clerk informed [] that no one by that name was registered at the hotel. However, when they checked the registration book [] noticed that [] had registered at this hotel on 13 May as being accompanied by his wife but that he had already checked out. [] had not mentioned during his meetings with [] that he had brought his wife to Duesseldorf. It is possible that [] was staying at this hotel with a woman other than his wife but in any case it would be interesting to know whether or not [] female friend was aware of what he was doing during most of his stay in Duesseldorf inasmuch as [] spent the whole day on 13 May with [] up until midnight.

6. 28 May Meeting with []

a. [] was met at 1230 hours on 28 May in the lobby of the Motel Vier Jahreszeiten in Hamburg as pre-arranged. He was taken to another hotel for debriefing by the BOB case officers.

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b. Written Report

[] brought with him his 14-page report in the German language which he had prepared for the BOB case officers as the report he would normally pass to the EGIS on his relationship with Identity 1 and the substantive information he had elicited through this relationship. Copies of this report are forwarded under separate cover for CCS and EE as Attachment A-1. The information contained in this report on the 37th Highway Transport Command was taken from the ca April 8, 1957 issue of the "Stars and Stripes." Identity 1 had given [] several April editions of the "Stars and Stripes" pointing out to him that there would be much of interest in there for him inasmuch as [] showed a normal amount of interest in things American. The section of [] report containing the listing of the military police and air police units in France was copied by [] from a USAREUR publication entitled "The Driver's Handbook" (see Attachment C for further description) which [] received from Identity 1. The section in [] report on the "Paris Military" Exchange (pages 9 and 10) was obtained by [] from another April edition of the "Stars and Stripes." The background information on Identity 1 was obtained by [] through careful elicitation during his meetings with Identity 1 in Brussels and Verdun. Also forwarded as Attachment A-2 is a one-page supplementary report on [] relationship with Identity 3. [] wrote this report in Hamburg on 28 May 1957 at the suggestion of BOB case officers inasmuch as he had not included this information in his original report.

c. NATO Report

[] reported to the case officers that he was presently in possession of a photo-copy of a French language version of a NATO report entitled: "Report on the Fifth Reunion of the Group of Experts for the Manufacture of Steel Artillery Shells, Which Took Place in the United States from 12 - 30 October 1952." The report is classified NATO Confidential with the number PL/EX/14/11/1241. [] alleged that this report was approximately two inches thick and that he was therefore unable to bring it with him to the instant meeting for review by the case officers. [] stated that he had received this copy on loan on 26 May 1957 from Identity 4. [] had told Identity 4 that he knew of an engineer interested in building a new arms plant in Italy. Identity 4, an old acquaintance of [], loaned [] the report so that [] could utilize it if necessary. According to [], Identity 1 has been in possession of this report since some time in 1953 at which time he was negotiating with a West German group who were interested in organizing a Belgian factory for arms production. [] believes that Identity 4 was loaned this report for use in his advisory capacity with this group but is not sure who gave it to him. [] commented that it possibly could have come from an official in the Belgian Ministry of Defense but could give no details. In any case, Identity 4, with an eye to the future, had made a photo-copy at that time and had hung on to

*not for 3/2/57
was an old doc
E. Berlin
photo copy*

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it not knowing when it would be useful. [] must return this report to Identity 4 within a month or six weeks.

d. Brochures

[] brought with him to our meeting 13 brochures, pamphlets and handbooks for review by the case officers. A list of this material is forwarded under Attachment C. With the exception of the USAREUR driver's handbook for which we assume G-2 USAREUR approval must be obtained prior to passing, we believe that this material as obtained by [] could be passed to the EGIS without endangering Western security. The arms brochures and pamphlets listed are easily obtainable in Western Europe and if the EGIS is interested in them they offer us and [] an opportunity to encourage the EGIS financial development of this operation.

e. Relationship with Identity 5

Attached as Attachment A-3 is a [] report written in Hamburg on 28 May 1957 at BOB case officer suggestion on his contact with Identity 5. [] proposed to pass this lead to EGIS if approval is obtained.

f. German Finance Group Flick

During our debriefing of [] he mentioned that he could possibly insert himself into the German Group Flick (he refers to the well known Friedrich FLICK) which is active in Belgian financial circles. [] stated that several months ago a scandal was widely publicized in Belgian newspapers having its source with a fnu GRUNBAUM, a journalist writing for the socialist newspaper, "Le Peuple", in brussels. GRUNBAUM wrote that the German ex-Nazi Minister FLICK and associates had invested millions of dollars in the steel industry in Wallonia. The story was discussed on the floor of the Belgian Parliament, with the socialist deputies speaking against those Belgian financiers who allowed an ex-Nazi to invest in Belgium. According to [] (Monsieur) Achille Van ACKER, Belgian Premier, asked GRUNBAUM to come to visit him and cautioned him on writing further stories about Flick, without giving any reasons for his request. GRUNBAUM dug into the background of the story and learned that the Belgian Government was having serious financial difficulties and were refused requests for financial support at two Belgian banks, the Bank of Brussels and The Societe Generale de Belgique. The Government then made the same request on the French-Dutch bank, Banque de Paris et des Pays-Bas. This bank agreed to make the loan under the condition that it would have a priority in investing in Belgian state-control plants in Wallonia. When the Flick scandal broke in the newspaper, the Belgian Premier received a phone call from a Mr. NEES, one of the directors of the Paris bank, who stated that if the stories were not controlled, the Bank of Paris would reverse its decision from the loan. The Belgian Premier then set about to do what he could to suppress recurrences of these stories. At this same time the socialist mayor of Antwerp received

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a visit from an unnamed German financial group which informed him that unless the stories against Flick were squashed, several German plants would consider moving their shipping business from Antwerp to Rotterdam. [] states that approximately fifty per cent of the shipping business in Antwerp is German.) Now that the stories against the Flick group have subsided, they are planning to open an office in Belgium as well as one each in France and England. A Dr. fnu WEINHARDT from Duesseldorf, who is Flick's executive manager, has already taken steps to open the office in England. The Flick group will soon start discussions in Brussels with the Belgian engineer Fernand LERCUX, rue Destouvelles 16, Brussels concerning the implementation of its Belgian representation. The Flick group has an opportunity for a large order for railroad material to be delivered to Indonesia. (Comment: [] learned the foregoing information from Van KAUWELAERT, head of the Catholic Labor Party in Belgium. Van KAUWELAERT, an old friend of [], told him the story and offered to introduce [] to Dr. WEINHARDT if [] was interested in doing business with the Flick group.) ([] did not propose to pass the foregoing information on the Flick group to the EGIS and related the story to the BOB case officers on the off chance that we would be interested in penetrating the Flick group through []). We advised [] that such a decision had to be made at Headquarters and that we would give him a decision on this question at a subsequent meeting.)

g. [] Next Meeting with the EGIS

[] was instructed by the BOB case officers to write to his EGIS letter drop and inform them that he would be in East Berlin for a meeting on 19 or 20 June 1957. We arranged to meet [] in Hamburg on 17 June 1957 and will have two days with him for further debriefing of developments between now and that date, as well as time for him to write his German language report for the EGIS under our supervision. [] brings his portable typewriter to his BOB case officer's meeting and we do not want [] to prepare reports prior to our meetings unless it is absolutely necessary.

h. Finances

[] was reimbursed for his travel expenses Brussels-Hamburg and return and once again the subject of a holding account for him was discussed. We informed [] that approval had been obtained for a holding account but that the exact amount of same had not been determined. We promised [] that we would have a figure for him on his 17 June meeting and that the holding account would be effective as of March 1957 when we first made contact with him. It is proposed that a holding account be established for CAGAL in the amount of 500 DMW per month with the understanding that this amount can be increased or called off at our discretion depending upon the development of this operation. Specific approval of this tentative figure of 500 DMW is hereby requested.

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7. COMMENTS

As stated in BRLN 1639 this operation has reached the critical stage where decisions must be made as to what information can be passed to the EGIS by []. In this connection we offer the following comments:

a. Control of []

While we do have a large measure of control over [] by being in the position where we can at any time expose him to the [] as a double-crossing agent who was being used by us against the EGIS (if we later determine that such was the case), we cannot flatly guarantee USAREUR or anyone else that [] will pass only that information which we approve. [] background in both the intelligence and business fields shows clearly that he "has had the course" and that we are not dealing with a simple individual. Depending upon the development of the operation on the part of the EGIS, [] could possibly later decide to play the game down the middle on the assumption that he is clever enough to get away with it. However, we are inclined to believe that [] has a healthy respect for the capabilities of PRPPTF and its agencies although he openly (with the BOE case officers) does not hold the same feeling for the EGIS representatives he has met thus far. We cannot overlook the possibility of his making an inadvertent slip of the tongue at some future meeting with the EGIS despite his confidence in himself vis-a-vis the EGIS. We will administer LCFLUTTER to [] as soon as feasible after his next meeting with the EGIS and, if we receive permission from G-2 USAREUR for passing of limited info, the situation then will be an excellent setting for specific questioning and control questions. We therefore feel that we can assure the USAREUR representatives that every precaution will be taken to keep this operation under strict control.

b. Passing of Information

1) Info obtained by [] about and from Identity 1

Although we are of the opinion that certain portions of this information could be passed to the EGIS without endangering the security of USAREUR, we can't in this case attempt to out-guess G-2 USAREUR. We leave this problem to COS negotiation with G-2 USAREUR representatives.

2) Brochures and Pamphlets as Listed in Attachment C

With the exception of items 1 and 2 we feel that this material can be safely passed by [] None of it is classified and it can be obtained in the West by anyone with a reasonable interest

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in the information.

3) NATO Report

This is another problem which we cannot answer here but our initial reaction, for what it is worth, is that the information contained therein is probably long-since out of date.

4) Information on Identity 5

Unless there are other tactical reasons for suppressing it, we believe the information on [] relationship with Identity 5 would make excellent bait for the EGIS and, in addition, we would be in a position to monitor this relationship to our own advantage.

The future of this operation will depend upon the degree of cooperation shown by G-2 USAREUR. Approval from them to pass limited information as obtained by [] would be sufficient to keep the operation alive. We believe that the potential offered to us in this case is worth the risk involved as well as the investment of case officer time which will be required to ride herd on []

Hand carried by MIS, 7 June 1957

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